

Executive Registry

76-1268

2 March 1976

MEMORANDUM FOR: Director

FROM : Acting D/DCI/IC *Handwritten: name*

SUBJECT : Meeting with Jim Lynn

STATINTL

1. Your meeting with Jim Lynn is now set for tomorrow, 3 March, at 1500 in the Executive Office Building. [redacted] and [redacted] of my staff will accompany you. I understand Lynn will bring Don Ogilvie and Dick Stubbing with him.

STATINTL

2. The OMB Staff has suggested a six point agenda:

- a. The FY 77 classified budget appendix
- b. An allowance letter for intelligence
- c. OMB involvement in CFI resource management of the NFIP
- d. The Congressional authorization process
- e. Reprogramming
- f. OMB proposed changes in the current apportionment rules

3. Several other topics have also been mentioned as possible topics, but I don't believe OMB is staffing Lynn to raise them at this point:

- a. Congressional relationships
- b. Separate funding for DCI activities

4. I've attached five brief point papers for your use in discussing items 2 a-e. Jack Iams and [redacted] have already discussed item 2f with you (you may wish to have either Jack or [redacted] sit in at the meeting since the problem has been raised by OMB in an Agency context). At any rate, this subject may be one where you may want to take a firm stand that we ought to hold off changing the apportionment-budget execution phase of the resource process until the CFI sorts out the front end (program-budget preparation).

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5. You've been exposed to several Congressional relations problems both at the CFI level and by OLC. The authorization item is part of this whole subject. The other parts are clearances for Congressional staffs and providing both budget information and substantive intelligence to various committees and offices of the Congress (CBO, CBC, etc).

6. At present, the IC Staff parasites on the CIA for funding and support. As we move toward physical separation, one can begin to argue for separate funding, etc., for Community Staff activities. But, I believe it is too early to reach those kinds of conclusions at present. Consequently, I don't believe there is any need to get into a discussion of ICS/DCI separate funding, but should it come up in the course of discussion, I suggest a posture where you grant that there may be some merit in it; we ought to look at it, but not allow it to change the appropriations structure.

Attachments
As Stated

TALKING POINTS

OMB's Proposed FY 77 Budget Appendix

- ICS has reviewed the document; suggested changes have been incorporated
- DoD, at first reluctant to endorse the concept of a classified appendix, now concurs providing OMB can accommodate to format changes
- We recommend you make the following points with Mr. Lynn:
 - Concur with its publication
 - Budget Appendix should be classified Top Secret, sensitive
 - It should be provided only to the four committees currently charged with oversight (i. e. , the Armed Services and Appropriations Committees of both houses), to be used in accordance with the controls they have used to protect budget data
 - Requests from other committees and offices for the document should be considered when and if received. It should not be volunteered.

TALKING POINTS

OMB Proposed Allowance Letter

- ICS has discussed a draft letter with OMB Staff
- The letter provides detailed dollar and manpower allowances for FY 76, 77 and 78, overall dollar projections for FY 79-81
- It also addresses, in general terms, three of the FY 77 issues that were considered in the last budget exercise:



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- Concept is good, will contribute to DCI's ability as Chairman of CFI to issue fiscal guidance
- But--guidance must be for FY 78
 - FY 77 budget is already on the hill
 - DoD preliminary program guidance to get FY 78 programs moving is already published
- OMB draft focuses largely on FY 76 (which is nearly over) and FY 77 (which is already in Congress)
- FY 79-81 planning numbers are useful
- Not clear why issues already aired are included, particularly since no new thoughts are introduced
- You may want to press for a more forward looking allowance letter

*DM S draft
3/27/76*

Honorable George Bush
Chairman, Committee on Foreign Intelligence
Washington, D. C. 20205

Dear George:

In this customary letter, we outline the major features of the President's 1977 Budget that are applicable to the National Foreign Intelligence Program (NFIP). Before doing so, I want to express our appreciation for the cooperation of the Intelligence Community staff in developing this budget.

As you know, the President's budget plan aimed to restrain Federal spending and to curb the future growth of the Government. With the help of your staff, the President's decisions have resulted in a budget that meets these objectives and at the same time provides for desirable initiatives and maintains important thrusts. It is a budget that we can all support with enthusiasm.

The budget the President has approved for the NFIP includes amounts for 1976, the transition quarter, and for 1977 and 1978 as shown in Enclosure A. The amounts shown are consistent with the estimates included in the President's budget for the Department of Defense and the Department of State.

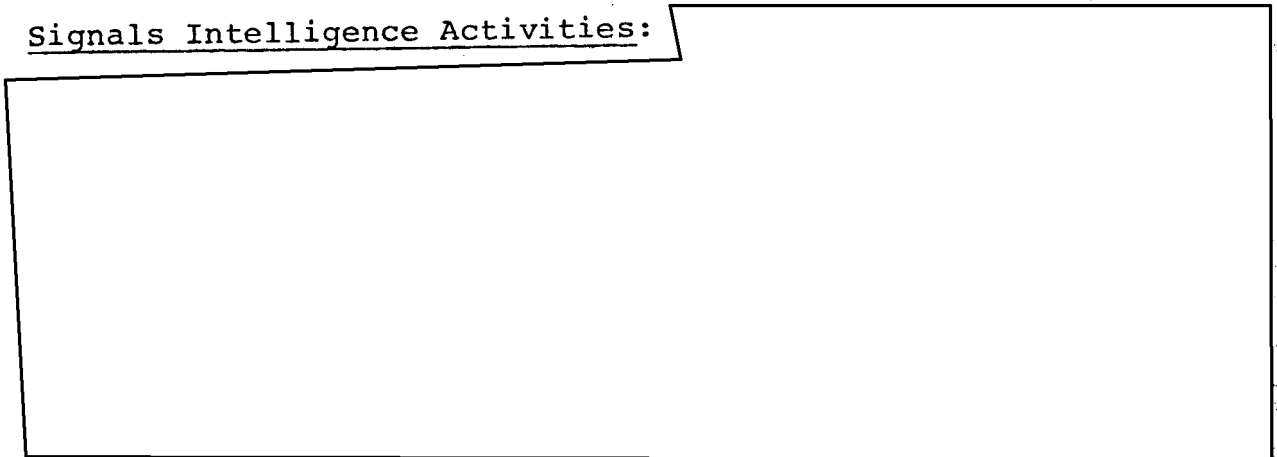
The President expects you to develop detailed plans so that the operation of the NFIP for these periods will be held within the totals included in the Budget, unless mandatory requirements necessitate otherwise. He expects employment to be held to the ceilings shown in Enclosure B.

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Enclosure A also includes amounts for the years 1979, 1980, and 1981 projected from decisions made for the years 1976-1978; these amounts include the anticipated costs of pay raises and inflation. The degree of uncertainty surrounding future estimates is obviously greater for the later years than the earlier years. Accordingly, adjustments may be made during next year's budget process. The adjustments - whether increases or decreases - that are made next year will be based on unforeseen developments such as the outcome of the Administration's legislative program, later information on economic conditions, better appraisals of workload, and other changes in the external environment. Nevertheless, it is expected that, to the extent possible, future budget requirements that may result from proposals favored by you will be offset by reductions elsewhere in the NFIP.

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Signals Intelligence Activities:

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fully informed on the status of these studies and to assure that the positions taken on these issues represent coordinated Administration views. I ask that your staff work closely with OMB to accomplish this objective.

Systematic evaluation of governmental programs is especially important when budgets are limited. Careful planning and management of evaluation activities, and the use of evaluation information in decisionmaking, are essential to effective management. You should place a high priority on evaluation activities, and make the fullest use of your evaluation resources during the coming year.

The President expects each official in the intelligence community to support actively the budget amounts set forth in this letter and its enclosures. This support should be given in testimony before congressional committees and in informal contacts with members of Congress and their staff.

Sincerely yours,

Enclosures

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TALKING POINTS

OMB Involvement in CFI Reviews

- OMB sees two ways they can become involved in CFI resource management
 - An independent review process
 - A joint review
- OMB Staff feels
 - The independent procedure has worked well
 - The joint process used to work well but has been less satisfactory in recent years
 - Their role in ExCom has been unsatisfactory and should be avoided
- The OMB Staff is recommending that Mr. Lynn advocate a combined joint-independent role for OMB-CFI review which allows
 - OMB Staff participation in program formulation before programs go to CFI for review
 - Access to CFI documents and decisions
 - OMB collaboration whenever CFI appeal mechanism is activated
 - A firm October budget submission to OMB by the CFI in accordance with OMB Circular A-11
- We recommend making the following points
 - The CFI is still considering how it will conduct its resource review business, but does not want to repeat IRAC experience
 - CFI has agreed that OMB not participate in its meetings either as a member or observer
 - OMB has not, in recent years, taken full advantage of access to DoD programs during the development phase
 - DoD relationships with OMB (joint reviews) must somehow be preserved and not abrogated through OMB involvement with the CFI

- An October submission (and it may be "early October" rather than "1 October") gives OMB three full months for review
- OMB should not have unabridged access to CFI documentation
- One good way for OMB to get involved is to provide preliminary fiscal guidance early enough for it to be considered when CFI guidance is issued. (preceding September rather than February or March while DoD programs are being built. Ideally, we should get FY 79 guidance in September 1976)
- OMB advised when CFI appeal process is activated is a good idea.

TALKING POINTS

Congressional Authorization Process

- Draft bill from the Senate Government Operations Committee calls for
 - Legislation requiring annual authorization of all national intelligence funds
 - Rule changes shifting authorization from Armed Services to the new Intelligence Committee
- OMB feels annual authorization will lead to disclosure of intelligence budgets
- They also feel transferring authorization is a move to give intelligence committee some teeth
- OMB is seeking your support in taking the initiative to urge an Administration position against the rule-making change, arguing that unlike proposed legislation, the Executive does not have a chance to review rules the Congress sets for itself.

Points we recommend you make:

- Previous DCI position has been to respond to Congressional oversight in accordance with the rules Congress itself has laid down. DCI advice to Congress on oversight has centered on a concern for protecting sources and methods (a statutory obligation).
- The Chairmen of the Appropriations Committees have not yet been heard from on this proposal.
- The Executive Branch probably ought to move very cautiously in trying to influence any internal Senate rule-making debate, particularly one involving the prerogatives of senior Senators.
- Any political lobbying that might be in order probably ought to be done by the White House legislative affairs people.

TALKING POINTS

Reprogramming Rules

- OMB Staff (particularly Don Ogilvie) feels that rules for reprogramming are generally weak (not just for NFIP but throughout the Executive Branch).
- They feel that the rules proposed for CFI adoption are a step in the right direction, but don't go far enough. (We have proposed adopting the House Appropriations Committee rules to keep CFI informed.)
 - There is no provision for OMB participation
 - The base is unspecified
 - They do not lay down uniform standards
 - They permit NRP to hide behind the argument that all NRP funds are in a single program element (and therefore, to control, the rules must go to line item level of detail)
 - They in effect adopt Congress' rules; one would expect the Executives rules to be more restrictive

We recommend you point out:

- CFI's focus will be on policy, guidance, program priorities, and particularly issues
- CFI is not likely to delve into the details of budget execution
- It will rely heavily on program managers to execute budgets
- The reprogramming restrictions laid out by Congress appear to insure proper budget execution
- There is no NRP exemption
- A completely separate set of CFI rules would force the program managers to go three ways before funds could be reprogrammed

- through their internal chain
 - to the Congress
 - to the CFI
- Prime thrust is to keep CFI informed without unnecessary impact on program manager flexibility

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